

U.S.-KOREA TRADE AGREEMENT

Oklahoma Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. exports and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Oklahoma agricultural products, including beef, pork, and poultry. Oklahoma's agricultural exports to all countries, estimated at \$982 million in 2009, supported about 8,000 jobs, on and off the farm. These export sales make an important contribution to the Oklahoma farm economy, which had total cash receipts of \$4.8 billion in 2009.

Cattle and Beef. The cattle and calf industry generated \$2.2 billion in farm cash receipts in 2009, 46 percent of the state's total. Among the KORUS agreement's benefits to Oklahoma's cattle and beef producers and processors:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Poultry and Egg Products. Broilers are the state's second largest source of farm cash receipts and totaled \$558 million in 2009, while egg production accounted for an additional \$70 million. Under the KORUS agreement:

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number 2 market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Hogs and Pork. The pork industry is the state's third largest source of farm cash receipts that totaled \$511 million in 2009. The KORUS agreement will provide many benefits to the Oklahoma hog producers and processors.

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen pork products as well as some fresh and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

Wheat. Wheat is the fourth largest source of farm cash receipts in the state totaling \$496 million in 2009, and second largest agricultural export totaling \$248 million in 2009. Under the KORUS agreement:

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or the 1-percent tariff under its autonomous tariff-rate quota (TRQ).
- Although this tariff differential may be small, it provides a tariff advantage when competing against Canada and Australia.

Dairy Products. Oklahoma's dairy industry is the state's fifth largest source of farm cash receipts and totaled \$151 million in 2009. The KORUS agreement will provide many benefits to dairy producers.

- Duty-free TRQs will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

| Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009) | | |
|--|------------------|-------------------|
| Product | U.S. to World | Oklahoma to World |
| Cattle and Beef | \$6,703,000,000 | \$250,000,000 |
| Poultry and Egg Products | \$4,850,000,000 | \$95,000,000 |
| Hogs and Pork | \$2,204,000,000 | \$250,000,000 |
| Wheat | \$8,598,000,000 | \$248,000,000 |
| Dairy Products | \$2,335,000,000 | \$220,000 |
| Agricultural Total | \$96,632,000,000 | \$982,000,000 |

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.